

Overview of SCE's Residential Rate Proposal R. 12-06-013

Commission Workshop

June 25, 2013

Agenda

- Summary of SCE's Proposal
- Efficiency Matrix
- Fixed Charges
- Affordability
- Bill Impacts

Summary of SCE's Rate Design Proposal

1. Reduce tiers from four to two over a multi-year transition process, with reduced rate differential and retained baseline protections.
2. Establish reasonable fixed charges to be determined in future utility-specific rate-setting proceedings.
3. Reduce the effective CARE discount closer to 20% off non-CARE bill (as was effective June 2001, up from 15% previously).
4. Promote adoption of optional, cost-based, non-tiered TOU rates.

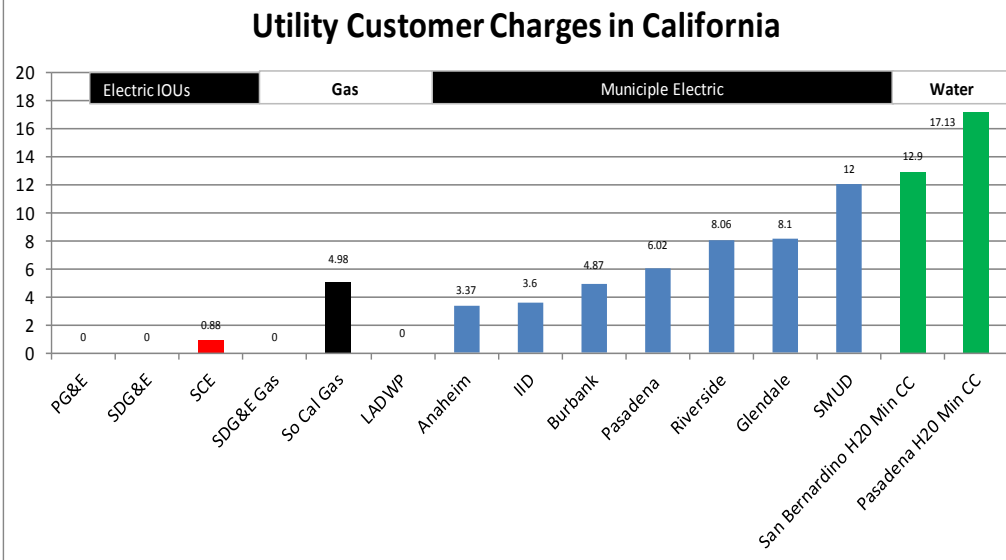
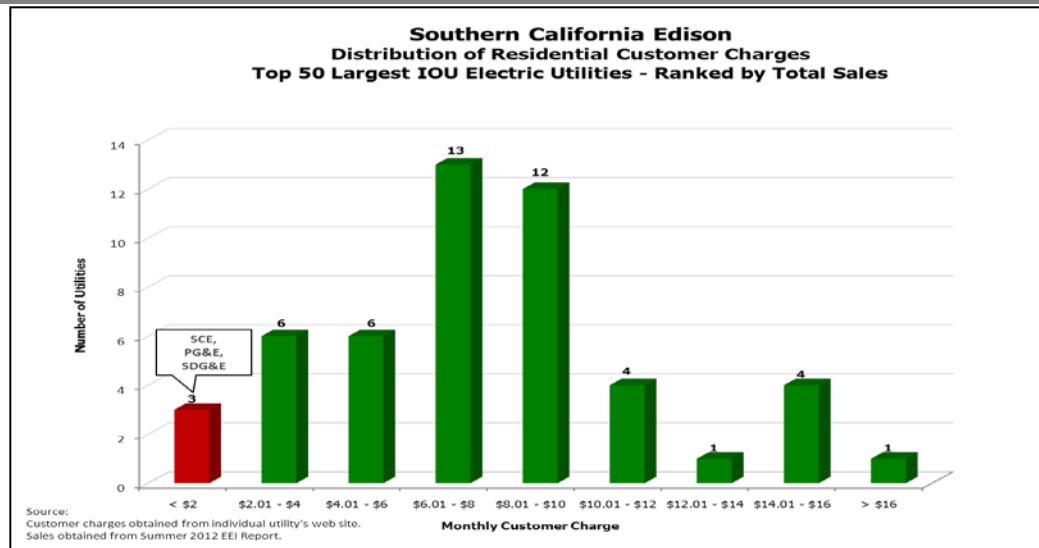
Examination of Proposed Rate & Cost Efficiencies

Party	SCE- Current	SCE	TURN	DRA - Opt Out Trans.	TOU V1	TOU V1 & FC	TOU V2	TOU "Lite"
Rate Structure <small>(Assumes Baseline: T1 = 0-100%, T2 = 101-200%, T3=201%+)</small>	4 Tiers, \$0.88 fixed charge. <small>Baseline: T1=100%, T2 = 101-130%, T3=200-300%, t4 = 301%+</small>	2-Tiers & \$5 Fixed Charge (1 & 1.2 ratio)	3- Tiers (1, 1.3 & 1.6 ratio) & no fixed charge.	3-Tiers (1, 1.6, 2 ratio),) \$0.88 fixed charge.	Full TOU rate & no fixed charge. (End state rate proposed by several parties)	Full TOU rate with \$5 fixed charge.	Full TOU & Demand Based fixed charge: +5kW = \$20 or \$30	TOU with 20% of summer generation revenue shifted to winter & Demand Based fixed charge: +5kW = \$15 or \$20
Efficiency	35.40%	20.80%	30.40%	31.20%	22.20%	17.30%	13.50%	16.40%

- To measure rate and cost efficiency the “% Deviation from Cost” metric was developed to examine the relationship of customers’ bills on various rate structures versus a full cost based rate structure, across the entire population with 0% being a benchmark “perfect” cost based rate.
- SCE’s proposal is to move to a 3-tiered rate with a 23.5% deviation before moving to a 2-tiered rate with a 20.8% deviation.
- Through offering a cost based TOU rate the overall efficiency will improve with some customers on more efficient rates.
 - See TOU rates for illustrative purposes
- TOU rates significantly improve efficiency while helping the Commission meet its goals.
 - See Table II-6 in SCE’s proposal (page 20) for a more complete efficiency table.

Benchmark of Fixed Charges

- SCE currently has a fixed charge of under \$1 per month.
- Comparable investor owned electric utilities across the nation employ fixed charges greater than SCE's.
- Other California utilities including municipal electric, water and gas utilize fixed charges.
- There is not consistency of CARE discount provided by electric utilities compared to gas and water utilities.
- Note: All of SCE's non-residential rates use fixed charges as one method to recover a portion of fixed costs.



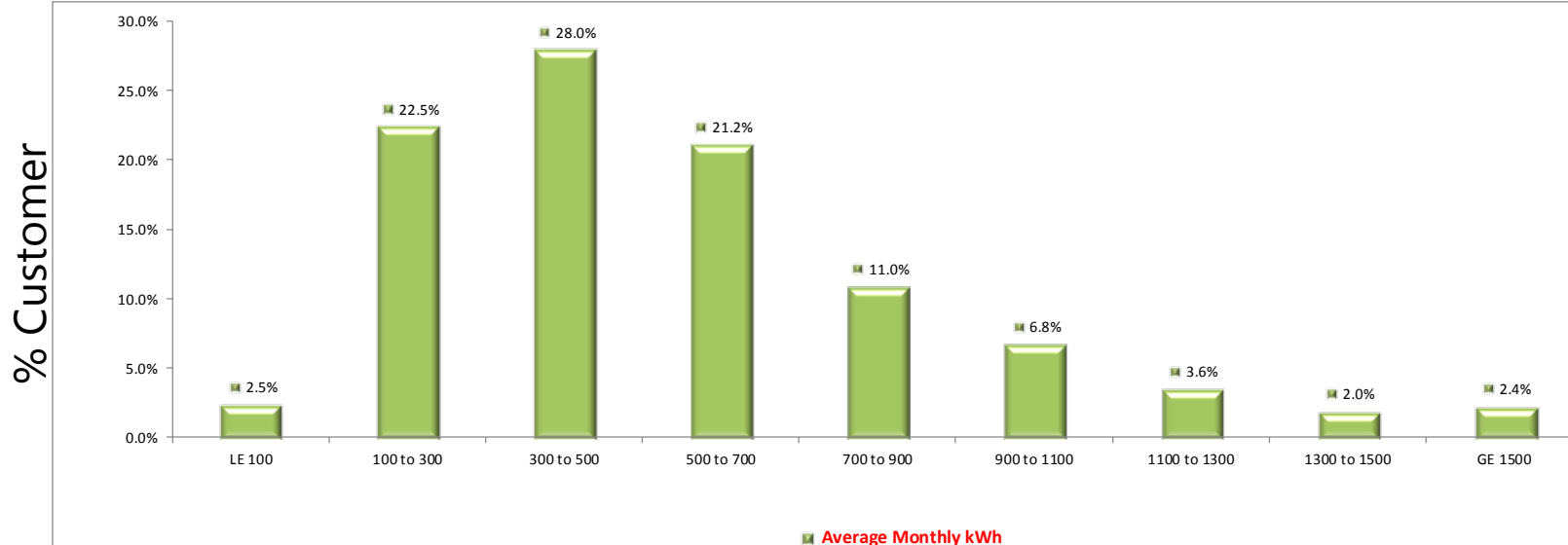
Affordability

- SCE proposed to make the CARE discount transparent and consistent with other energy utilities (e.g. So Cal Gas) with a simple final line item percentage discount off the bill.
- The Commission should examine moving the CARE discount to approximately 20%
 - In 2000 there was a 15% well-defined discount with 450,000 customers and annual discounts totaling \$41 M.
 - Today the discount is less transparent at an effective discount of 31% with 1.3 million customers and now over \$350 M in annual discounts.
- Consideration should be given to providing appropriate CARE discounts based on the level of need.
 - In 2001 eligibility was increased from 150% of federal poverty to 175%, then up to 200% in 2005.
 - To improve affordability for the lowest income CARE customers, discounts could be increased to them, while decreasing the discount to the higher income CARE customers.
- Other affordability measures:
 - SCE's proposal retains baseline, which provides an affordability mechanism to all customers, a general subsidy that generally does not exist in other industries.
 - SCE did not propose specific changes to medical baseline.
- SCE provided an "Energy Burden" metric in a manner consistent with the last Low Income Needs Assessment (LINA)
 - Energy burden is a household's contribution of income to electricity bills.
 - United States Average: 2.6%
 - State of California: 2.0% (9th lowest in the United States)
 - SCE Residential Class: 1.3%
 - » CARE: 1.2%
 - » Non-CARE 1.4%

Bill Impacts of Year 1 Transition - 3-tier rate (1x, 1.25x, 1.5x), \$5 Customer Charge, and 20% CARE Discount – All Customers

Bill impact Analysis by Average Monthly Usage (KWh)

Combined (CEC : - All 2012 GRC Rate Vs. Proposed 5-Tiers NON-TOU)



Notes: Load factor increases with usage. 2) Energy Burden remains low. 3) "Percent change in bills" is misleading compared to low \$ amounts for smaller customers.

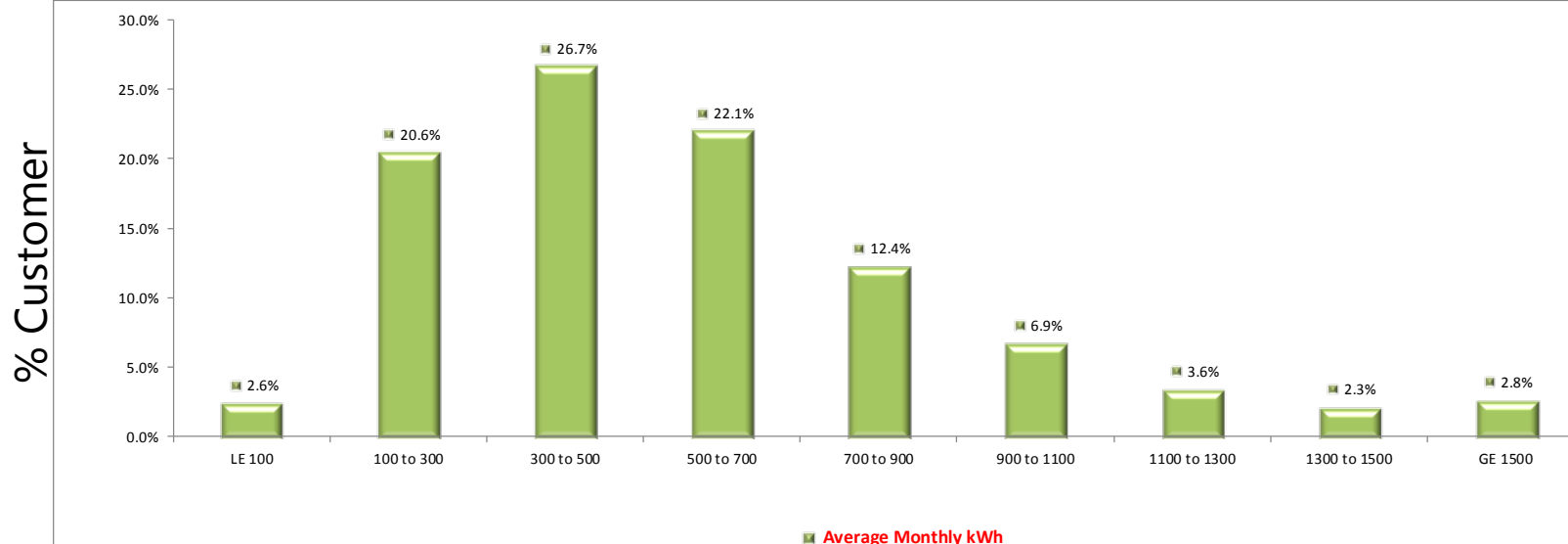
Average Monthly kWh	Customer				Average			Elasticity	Cents/kWh		%	Monthly \$		Average	Average	
%	Number	% Customer	% Single	%Multi	Monthly - kWh	Annual Load Factor	% On Peak	Average Monthly kWh Δ	2012 GRC Rate	Proposed	Change	2012 GRC Rate	Proposed	Monthly \$ Change	Current Annual Bill as a % of Income	Proposed Annual Bill as a % of Income
LE 100	105,221	2.5%	1.6%	4.8%	64	7.1%	5.2%	(7)	12.6	20.4	62.0%	\$8.08	\$13.09	\$5.01	0.1%	0.2%
100 to 300	955,542	22.5%	14.9%	43.6%	218	10.5%	5.9%	(15)	11.9	15.9	34.2%	\$25.81	\$34.62	\$8.82	0.5%	0.6%
300 to 500	1,190,293	28.0%	26.9%	31.2%	395	13.1%	6.7%	(18)	13.2	16.0	20.6%	\$52.27	\$63.05	\$10.78	0.8%	1.0%
500 to 700	899,898	21.2%	23.9%	13.6%	592	14.9%	7.0%	(10)	16.1	16.8	4.5%	\$95.23	\$99.51	\$4.27	1.2%	1.2%
700 to 900	467,182	11.0%	13.6%	3.6%	798	16.3%	7.6%	2	18.7	17.7	-5.2%	\$149.15	\$141.42	-\$7.73	1.7%	1.6%
900 to 1100	290,193	6.8%	8.8%	1.4%	988	17.1%	8.5%	10	19.4	17.8	-8.3%	\$192.12	\$176.12	-\$15.99	2.1%	2.0%
1100 to 1300	153,411	3.6%	4.6%	0.8%	1,194	19.0%	8.1%	22	20.6	18.2	-11.5%	\$246.11	\$217.78	-\$28.33	2.9%	2.6%
1300 to 1500	84,684	2.0%	2.5%	0.5%	1,386	20.4%	7.3%	33	22.4	19.2	-14.3%	\$310.48	\$266.18	-\$44.30	3.2%	2.8%
GE 1500	100,700	2.4%	3.1%	0.4%	2,066	21.5%	7.3%	68	24.8	20.3	-18.3%	\$512.15	\$418.53	-\$93.62	4.6%	3.8%
Group Total	4,247,124	100.0%	100.0%	100.0%	563	14.2%	7.2%	(4.8)	17.4	17.4	-0.1%	\$97.90	\$97.84	-\$0.05	1.3%	1.3%

Appendix

Bill Impacts of Year 1 Transition - 3-tier rate (1x, 1.25x, 1.5x), \$5 Customer Charge, and 20% CARE Discount – Non-CARE

Bill impact Analysis by Average Monthly Usage (KWh)

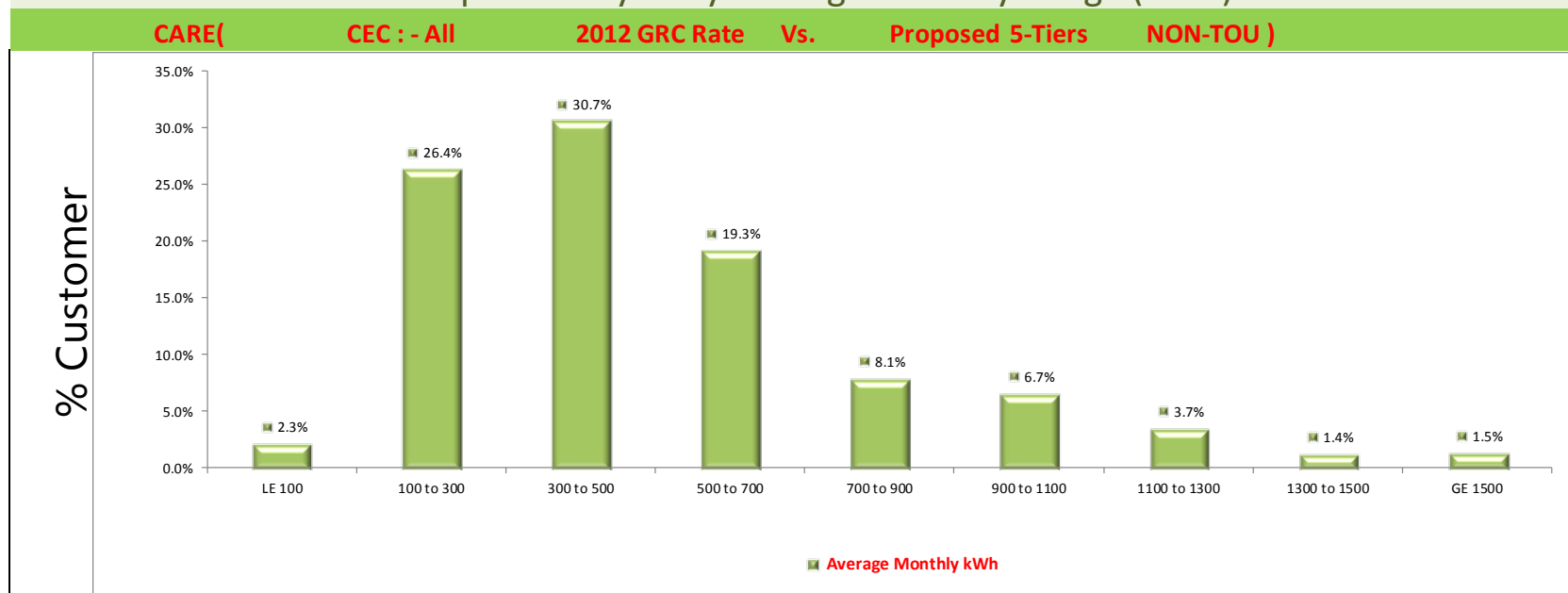
NON-CARE (CEC : - All 2012 GRC Rate Vs. Proposed 5-Tiers NON-TOU)



Average Monthly kWh	Customer				Average			Elasticity	Cents/kWh		%	Monthly \$		Average	Average	
%	Number	% Customer	% Single	%Multi	Monthly - kWh	Annual Load Factor	% On Peak	Average Monthly kWh Δ	2012 GRC Rate	Proposed	Change	2012 GRC Rate	Proposed	Monthly \$ Change	Current Annual Bill as a % of Income	Proposed Annual Bill as a % of Income
LE 100	73,753	2.6%	1.7%	5.6%	59	6.4%	4.7%	(6)	14.5	23.0	58.6%	\$8.55	\$13.55	\$5.01	0.1%	0.2%
100 to 300	590,618	20.6%	13.6%	44.5%	218	9.6%	5.3%	(12)	13.6	17.6	29.4%	\$29.61	\$38.31	\$8.70	0.5%	0.6%
300 to 500	766,658	26.7%	25.6%	30.7%	398	12.1%	6.1%	(14)	15.0	17.5	16.8%	\$59.65	\$69.69	\$10.04	0.8%	0.9%
500 to 700	633,668	22.1%	24.9%	12.7%	596	14.3%	6.8%	(5)	17.7	18.1	2.2%	\$105.55	\$107.92	\$2.36	1.2%	1.2%
700 to 900	355,765	12.4%	15.0%	3.5%	799	15.9%	7.2%	7	20.3	18.9	-6.9%	\$162.17	\$150.97	-\$11.20	1.7%	1.6%
900 to 1100	197,266	6.9%	8.5%	1.4%	988	16.4%	8.0%	18	21.7	19.4	-10.6%	\$214.22	\$191.50	-\$22.72	2.1%	1.9%
1100 to 1300	102,829	3.6%	4.4%	0.7%	1,191	18.2%	8.0%	29	23.1	19.9	-13.9%	\$275.48	\$237.26	-\$38.21	2.9%	2.5%
1300 to 1500	65,555	2.3%	2.8%	0.6%	1,382	20.1%	7.0%	39	24.1	20.3	-15.7%	\$332.72	\$280.56	-\$52.16	3.1%	2.6%
GE 1500	79,956	2.8%	3.5%	0.2%	2,149	20.7%	7.5%	78	26.4	21.2	-19.6%	\$567.17	\$455.91	-\$111.26	4.7%	3.8%
Group Total	2,866,068	100.0%	100.0%	100.0%	589	13.6%	6.9%	1.3	19.4	18.8	-3.1%	\$114.52	\$110.95	-\$3.57	1.4%	1.3%

Bill Impacts of Year 1 Transition - 3-tier rate (1x, 1.25x, 1.5x), \$5 Customer Charge, and 20% CARE Discount – CARE

Bill impact Analysis by Average Monthly Usage (KWh)



Average Monthly kWh	Customer				Average			Elasticity	Cents/kWh		%	Monthly \$		Average	Average	
%	Number	% Customer	% Single	%Multi	Monthly - kWh	Annual Load Factor	% On Peak	Average Monthly Δ kWh	2012 GRC Rate	Proposed	Change	2012 GRC Rate	Proposed	Monthly \$ Change	Current Annual Bill as a % of Income	Proposed Annual Bill as a % of Income
LE 100	31,468	2.3%	1.5%	3.7%	75	8.8%	5.9%	(10)	9.5	16.2	70.6%	\$7.10	\$12.11	\$5.01	0.2%	0.3%
100 to 300	364,924	26.4%	18.1%	42.5%	218	12.0%	6.9%	(20)	9.0	13.2	45.7%	\$19.70	\$28.70	\$9.01	0.4%	0.6%
300 to 500	423,635	30.7%	30.0%	31.9%	389	14.6%	7.7%	(25)	9.9	13.1	31.4%	\$38.71	\$50.85	\$12.15	0.8%	1.0%
500 to 700	266,230	19.3%	21.6%	14.7%	584	16.1%	7.6%	(20)	11.9	13.5	12.9%	\$69.68	\$78.68	\$9.00	1.1%	1.3%
700 to 900	111,418	8.1%	10.3%	3.8%	793	17.2%	9.0%	(12)	13.5	14.0	3.1%	\$107.40	\$110.78	\$3.38	1.8%	1.9%
900 to 1100	92,926	6.7%	9.5%	1.4%	987	18.5%	9.6%	(5)	14.5	14.4	-0.7%	\$142.85	\$141.84	-\$1.00	2.3%	2.3%
1100 to 1300	50,582	3.7%	5.0%	1.0%	1,200	20.8%	8.4%	6	15.6	14.9	-4.5%	\$187.03	\$178.59	-\$8.44	3.0%	2.9%
1300 to 1500	19,129	1.4%	2.0%	0.2%	1,401	21.2%	8.3%	17	16.7	15.5	-7.4%	\$234.19	\$216.83	-\$17.36	4.3%	4.0%
GE 1500	20,744	1.5%	2.0%	0.6%	1,714	24.7%	5.9%	22	16.3	15.2	-6.8%	\$278.81	\$259.99	-\$18.82	4.3%	4.0%
Group Total	1,381,056	100.0%	100.0%	100.0%	509	15.3%	8.0%	(16.8)	12.4	13.8	11.7%	\$62.92	\$70.27	\$7.35	1.2%	1.3%

Current Rate Situation –

Distorted Pricing at Both Ends

SCE Residential Accounts by Customer Type and Usage Level
(Average Monthly Usage, Bills, and Rate Levels)

Customer Type	Usage Level (kWh)	Number of Customers	Average Monthly Usage (kWh/Customer)	Average Monthly Bill (\$/month)	Average Rate (cents/kWh)
CARE	All	1,311,657	542	\$66	12.1
	< 400	516,380	266	\$25	9.6
	400-800	564,395	569	\$66	11.5
	> 800	230,882	1,092	\$156	14.3
Non-CARE	All	2,698,148	616	\$112	18.3
	< 400	917,689	253	\$34	13.6
	400-800	1,131,102	578	\$94	16.2
	> 800	649,357	1,195	\$255	21.3

Large compounded subsidies.

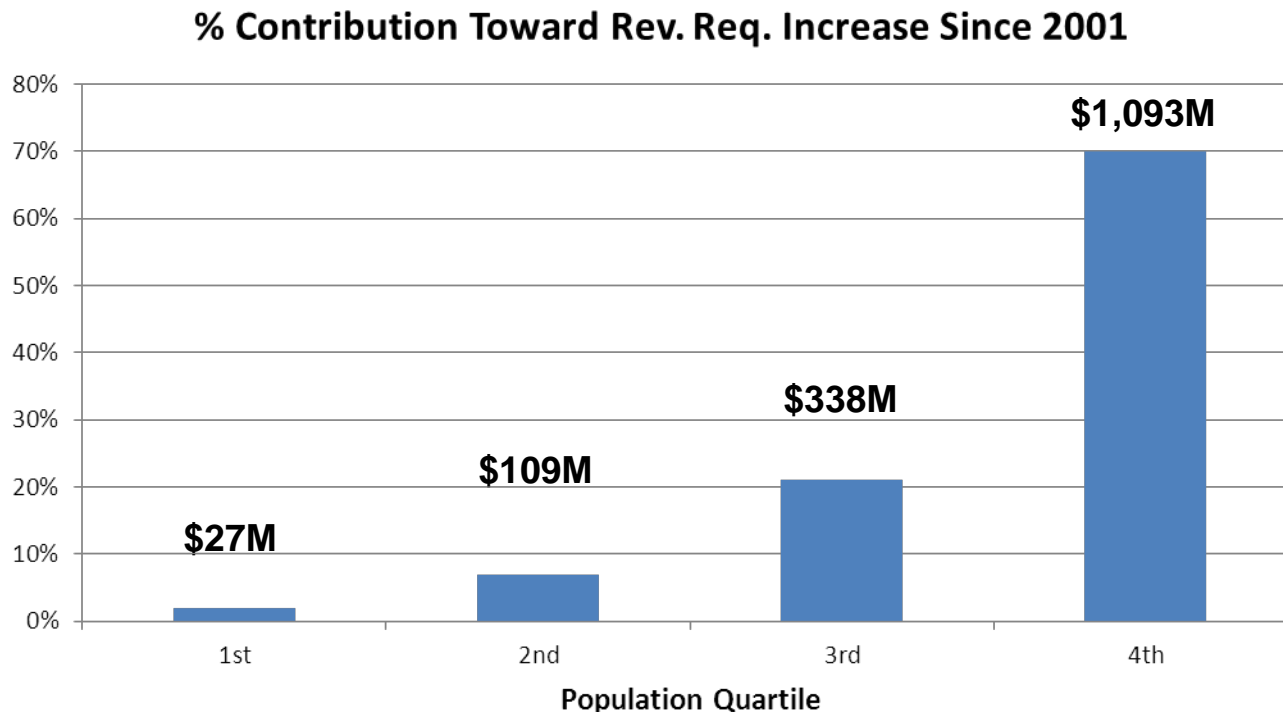
Bypass of inflated retail rates subsidizes D-Gen business models.

- 2012 Recorded Data
- Data reflects compounded effects of tiered rates and CARE rate structures

Current Rate Situation -

Inequitable Assignment of Increasing Costs since 2001

- Since 2001, SCE's residential revenue requirement has increased by about \$1.5 billion.
- This increase is largely due to infrastructure investment (distribution and transmission) and renewable portfolio standards, which benefit all customers.
- These incremental costs are being disproportionately paid (*i.e.* 70% of the incremental costs are being paid by just 25% of our residential customers).



SCE's Proposal vs. Other Parties – Default & TOU Rates

Rate Component	SCE Proposal	Consumer Groups	Environmental Groups
Default Rate & Tiers (non-CARE)	<p>Two Tiers – Tier 1 (baseline) and Tier 2 (all else). Tier 2: Tier 1 ratio of 1.20:1.00; close to the pre-energy crisis level. Transitional 3-tiered structure before going to two tiers.</p> <p>PG&E very similar to SCE.</p> <p>SDG&E proposed TOU structure with basic service fee, and demand charge. Flat rate offered at a premium.</p>	<p>TURN – 3 tiers with fixed tier differential ratios at 1/1.3/1.6.</p> <p>DRA - Default tiered TOU with baseline credit and on-peak surcharge and off-peak credit.</p> <p>Consumer Federation – Default TOU.</p> <p>CLECA- Default TOU.</p>	<p>EDF & Solar Industries – Default TOU and voluntary opt-out to tiers.</p> <p>Sierra Club – 3-tiered TOU.</p> <p>NRDC – Default tiered TOU for large customers, 3-tier for small customers.</p>
Dynamic Pricing /TOU Implementation	<p>Keep TOU and CPP optional with default considered only after tiered rates are “fixed.”</p> <p>To support adoption of TOU structures:</p> <ol style="list-style-type: none"> 1. Design non-tiered, class revenue neutral TOU rates (APS model) 2. Track revenue deficiency and recover through fixed charge and/or baseline rate increases as part of an integrated transition approach. 	<p>TURN – Agree to a cost based TOU option and allow revenue deficiency from TOU to be recovered from default rate.</p> <p>DRA – Transition by applying TOU signals to a 3-tier rate.</p> <p>Consumer Federation – Customers can opt-out to current rates or a rate with a risk premium.</p>	<p>SEIA - Allow revenue deficiency from TOU to be recovered from default rate.</p>

SCE's Proposal vs. Other Parties – Fixed Charges & CARE

Rate Structure Component	SCE Proposal	Consumer Groups	Environmental Groups
Fixed Charges	A single reasonable fixed charge, with fixed charge determined in future SCE rate-setting proceeding based on marginal cost studies.	<p>TURN - No fixed charge</p> <p>DRA – No fixed charge. \$5 per month minimum bill.</p> <p>Consumer Federation – Silent</p> <p>CLECA- Min \$5 fixed charge.</p>	<p>Sierra Club, EDF & Solar Industries – No fixed charges</p> <p>NRDC – Focus on no “high” fixed charges. “No costs are truly fixed,” but \$3 may be reasonable.</p>
CARE Rate Structure	<p>Same basic rate structure as non-CARE customers.</p> <p>Return to a fixed percentage discount from the non-CARE bill with a target discount of 20%, with discretion to apply a lesser discount to high-usage CARE customers.</p>	<p>TURN – Declining discount by tier (~35% effective or 5% increase).</p> <p>DRA & Greenlining- Current levels</p> <p>Consumer Federation – No changes</p> <p>CLECA- Cap discount like SMUD proposes.</p>	<p>Generally silent.</p> <p>Some propose increase in EE funds and opportunity to receive benefits from community DG.</p>